

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket Nos. 2019-101-10016C thru 10019C
Parcel Nos. 14342-51005-00000; 14342-51004-00000;
14342-51009-00000; and 14342-51008-00000

Heartland Investment Partners LLC,

Appellant,

vs.

City of Cedar Rapids Board of Review,

Appellee.

Introduction

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on January 9, 2020. Manager Darin Garman represented Heartland Investment Partners, LLC (Heartland). Assistant City Attorney for the City of Cedar Rapids Patricia Kropf represented the Board of Review.

Heartland is the owner of a multi-residential apartment complex located on Aossey Lane SW, Cedar Rapids, Iowa. (Dockets 10016C-10019C Ex. A). The apartment complex's four contiguous parcels operate as a unit; they are locally known and hereinafter collectively referred to as Village Southwest. The following table summarizes the January 1, 2019 assessed value for each parcel. (Dockets 10016C-10019C Ex. A).

Docket	Parcel	Address	Assessed Land Value	Assessed Improvement Value	Total Assessed Value
10016C	14342-51005-00000	16 Aossey Ln SW	\$26,800	\$256,220	\$283,020
10017C	14342-51004-00000	86 Aossey Ln SW	\$26,800	\$256,220	\$283,020
10018C	14342-51009-00000	76 Aossey Ln SW	\$28,300	\$256,220	\$284,520
10019C	14342-51008-00000	26 Aossey Ln SW	\$28,300	\$256,220	\$284,520
				Total Assessed Value	\$1,135,080

Heartland petitioned the Board of Review contending the subject property is assessed for more than the value authorized by law. Iowa Code § 441.37(1)(a)(2) (2019). The Board of Review denied the petitions. Heartland reasserted its claim on appeal to PAAB.

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. PAAB is an agency and the provisions of the Administrative Procedure Act apply. § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB may consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code R. 701-126.2(2-4). New or additional evidence may be introduced. *Id.* PAAB considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted).

Findings of Fact

Village Southwest is a Section 42 apartment complex that consists of four contiguous parcels operating as a unit. Each parcel is improved with a two-story multi-unit apartment building built in 1995 or 1996. Each apartment building has 3796 square feet of gross building area and eight two-bedroom units. In total, the buildings have a gross building area of 15,184 square feet and 32 units. The buildings are listed in normal condition with a grade rating of 4+00 (average quality). The total site size is 1.516 acres with 27,300 square feet of asphalt parking. (Dockets 10016C-10019C Ex. A & Ex. D).

On appeal, Heartland asserted Village Southwest was over assessed based on a 2018 appraisal of another apartment complex located at 132 & 142 20th Avenue SW, Cedar Rapids. (Ex. 1). The appraisal was completed by David Passmore, Rally Appraisal, LLC, Cedar Rapids and has an effective date of September 2018. Passmore valued the 20th Avenue SW property at \$830,000.

The 20th Avenue SW property had a pending purchase agreement for \$795,000 when Passmore appraised it. It is not a Section 42 property, it has fewer units than the subject property, and it was built in 1965. Accordingly, we do not find it to be comparable to Village Southwest and therefore do not find its appraisal relevant in determining the correct assessment of the subject property. We give it no consideration.

The Board of Review submitted a summary of how the assessment for Village Southwest was calculated. (Ex. D). The summary outlined the process, which is a specific procedure under Iowa Code section 441.21(2).

Chief Deputy Assessor Jeff Augustine testified for the Board of Review. Augustine testified Heartland filed the appropriate Section 42 Reporting Form required by the Department of Revenue, albeit after the March 1 deadline. Concurrently, Heartland submitted an incomplete rent roll to the Assessor's Office. (Ex. D, p. 2). Based on Heartland's 2019 reporting form, Augustine explained that four categories of expenses were normalized: Management Fee, Repairs/Maintenance, and Other (Repairs and Maintenance) (Ex. D, p. 3). Additionally, Augustine explained there were a multitude of discrepancies between Heartland's 2018 and 2019 reporting forms. (Ex. D, p. 3-6). The Assessor's Office ultimately relied on the numbers reported on Heartland's 2019 reporting form to determine the 2019 assessed value of Village Southwest.

Garman testified on behalf of Heartland and conceded Augustine's analysis conformed to his understanding of how Section 42 property is to be assessed.

Garman expressed confusion about notes on each property record card that were recorded between 2007 and 2013, which he believed indicated assessments were based on a percentage of market values. (Dockets 10016C-10019C Ex. A). The presentation of the notes was changed in 2015 to succinctly identify the parcels had been valued "pursuant to Section 42 provision." (Dockets 10016C-10019C Ex. A, p. 8-

9). Based on these notes, the retirement of a former employee in the Assessor's Office, and an increase in the assessed value of Village Southwest, Garman was concerned there was a change in the procedure used to assess the property. Because Village Southwest's assessment over the last eight years has nearly doubled, Garman wants to ensure the process to value Section 42 has been applied as it has in years past. Garman acknowledged the increase could also be due to the property producing more income and having a greater performance than years past.

Augustine testified he was trained by his now retired predecessor and there has been no departure in the way Village Southwest has been assessed over the years; it has always been based on the Section 42 Reporting Form. Augustine explained the notes on the property record card were simply to give an idea of what the value would be, based on the actual income and expenses reported by the property owner, if it was not assessed as a Section 42 property. It was intended for demonstration purposes only and it does not reflect the methodology employed to value Village Southwest during the 2007-2013 assessment years.

Like Garman, we found the 2007-2013 notes to be confusing. At the end of the day, Augustine's testimony was the mandated procedure to value the subject property has always been used to arrive at the assessed value. Of most importance, Village Southwest's 2019 assessment was valued as a Section 42 property based on the State mandated procedure.

Analysis & Conclusions of Law

Heartland contends Village Southwest is assessed for more than the value authorized by law. § 441.37(1)(a)(2). Heartland bears the burden of proof. §§ 441.21(3), 441.37A(3)(a).

Most property in Iowa is assessed at its market value under Iowa Code section 441.21(1). Section 441.21(2) creates an exception for properties "rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code." When assessing Section 42 property, the assessor shall value the property using "the productive and earning capacity from the actual rents received as a method

of appraisal and shall take into account the extent to which that use and limitation reduces the market value of the property.” § 441.21(2). “The assessor shall not consider any tax credit equity or other subsidized financing as income provided to the property in determining the assessed value.” *Id.* Section 441.21(2) gives the Iowa Department of Revenue (IDR) authority to adopt rules to implement the section. Iowa Administrative Code Rule 701-71.5(2)(a-b) explains the productive and earning capacity method as well as a direct capitalization method that assessors may use to value Section 42 properties.

Heartland filed its income and expense data with the Assessor’s Office which then relied exclusively on it and normalized categories as needed. Heartland did not contend any of the data or the calculations completed by the Assessor’s Office were incorrect.

Viewing the record as a whole, we find Heartland has not met its burden and has failed to prove its claim.

Order

PAAB HEREBY AFFIRMS the City of Cedar Rapids Board of Review's action.


This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2018).

Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

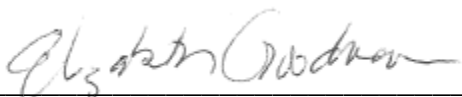
Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A (2018).



Karen Oberman, Board Member



Dennis Loll, Board Member



Elizabeth Goodman, Board Member

Copies to:

Darin Garman for Heartland Investment Partners LLC by eFile

City of Cedar Rapids Board of Review by eFile